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RUEAUSA/DEPT OF HHS WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 3439
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SENSITIVE
SIPDIS

DEPT FOR AIAG AMBASSADOR LANGE
DEPT FOR EAP/J AND OES/IHA
USDA PASS TO APHIS
HHS FOR DEPUTY SECRETARY TROY
HHS FOR OGHA STEIGER AND ABDOO
DEPT PASS TO AID/GH/HIDN

E.O. 12958: N/A
TAGS: [SOCI](#) [TBIO](#) [KSTH](#) [ECON](#) [PREL](#) [KFLU](#) [JA](#)
SUBJECT: HHS DEPUTY SECRETARY TROY'S VISIT TO JAPAN
NOVEMBER 24-27

TOKYO 00003221 001.2 OF 003

¶1. This message is Sensitive but Unclassified. Please handle accordingly.

Summary

¶2. (SBU) As the world's second largest economy, Japan remains a strong ally and a key partner for the U.S. in global health efforts. During its G8 presidency, Japan has shown leadership on important global issues and continues to be a top contributor to initiatives on infectious diseases and pandemic preparedness. At the same, with a declining and rapidly aging population, plus a growing need to pay attention to current and future budgetary constraints, Japan faces increasing health care challenges and domestic public pressures. The world's second largest pharmaceutical market, Japan nevertheless has lagged other countries in introducing innovative drugs and devices. Limited reforms are underway to reverse the "drug lag" and similar delays in approvals of medical appliances, but progress has been slow. Still, and a point not often understood by the Japanese public or Japanese officials, Japan is a world leader in life sciences and our long-standing cooperative science relationship continues to facilitate promising medical research in both countries. End Summary.

Japan's Healthcare System - Strong, Expensive, and Under Fire

¶3. (SBU) Japan's national healthcare system receives high marks for delivering basic healthcare at a reasonable cost, but faces serious challenges. Japan boasts the world's highest life expectancy, the lowest rate of infant mortality, and, although rising, the developed world's lowest prevalence of obesity. While overall healthcare spending, at eight percent of GDP, and health spending per capita, are well below OECD averages, Japan is grappling with how to finance care for an aging population and ensure access to innovative drugs, devices, and specialized care. The recent death of a

pregnant woman who was refused treatment by eight Tokyo hospitals further raised awareness of critical gaps in Japan's system, including a shortage of hospital beds and of nurses and doctors, especially in rural areas. Recent efforts, such as those to encourage medical school enrollment, may help over the long term, but current shortfalls raise questions about Japan's capacity to care for its growing ranks of older citizens and to respond effectively to health emergencies.

Innovation

¶4. (SBU) Japan is the world's second largest market for pharmaceuticals and medical devices, but the launch of innovative drugs and devices is often described -- by some Japanese as well as by many American experts -- as the slowest in the industrialized world. Recognizing the economic and health implications of the "drug lag," the government has taken initial steps to accelerate the approvals process, bolster clinical trials infrastructure, and improve the competitiveness of the Japanese pharmaceutical industry. The U.S.-Japan Economic Partnership for Growth and other bilateral economic dialogues have been useful for highlighting the benefits of health innovation to our bilateral economic relationship. While progress has been made, critical issues remain. For example, the Pharmaceutical and Medical Device Agency (PMDA) hired additional reviewers in 2008, paid for by increased user fees for device reviews. However, PMDA still employed just 276 reviewers as of May 2008. Pricing and reimbursement policies that aim foremost to curb government healthcare spending continue to stifle innovation. Imports account for about 20 percent of Japan's pharmaceutical market. Taking into

TOKYO 00003221 002.2 OF 003

account licensees and local production by foreign firms, the foreign share of the market approaches 40 percent.

Stem Cell Research

¶5. (SBU) The recent breakthrough by Kyoto University researchers in cultivating induced pluripotent stem cells (iPS) from human skin gave a boost to Japan's ambitions to become a global leader in stem cell research. Similar research advances in the U.S. have only heightened Japan's competitive focus. The Council for Science and Technology Policy (CSTP), chaired by the Prime Minister, has pushed iPS research to the top of the government's life sciences research agenda. For FY2008, the GOJ increased spending on iPS research more than tenfold to roughly USD 50 million.

G8 and Global Health

¶6. (SBU) As G8 president, Japan supported our efforts to incorporate U.S. priorities on accountability and transparency into the Toyako Framework for Action on Global Health. Despite serious and growing budgetary pressures, Japan remains a key partner in global efforts to fight infectious diseases and other health threats. Japan is the third largest contributor to the Global Fund for AIDS, Tuberculosis, and Malaria, and has recently fulfilled a pledge to supply ten million long-lasting insecticide-treated bed nets to sub-Saharan Africa. Japan's financial commitment to polio eradication is less certain, however, despite recent contributions through UNICEF. We continue to urge Japan to join in helping eliminate polio in the four countries where it remains endemic.

Pandemic Preparedness

¶7. (SBU) Japan has consistently supported the U.S. in calling for timely sharing of virus samples with the WHO.

However, Japan's position has been tempered at times by a desire to avoid appearance of a standoff between developed and developing countries. At October's Ministerial Conference in Egypt, Japan pledged an additional USD 24 million for international efforts, the second largest pledge after the U.S. At a November trilateral health ministerial, Japan pledged closer cooperation with China and Korea on information sharing and joint pandemic exercises. Domestically, Japan continues to develop its capabilities to respond to a pandemic by raising targets for anti-viral stockpiles and testing prepandemic vaccine on 6,000 volunteers in front line occupations. Bureaucrats and lawmakers have followed U.S. preparedness efforts closely, particularly on difficult issues such as vaccine allocation, anti-viral stockpiling, and guidance to citizens living abroad.

Food Safety

18. (SBU) Recent scandals involving tainted food imports, particularly from China, have prompted proposals to increase monitoring of food imports and more stringent labeling requirements. While domestic food labeling scandals have also captured headlines, consumers are more concerned with the safety of imported food. Imports account for 60 percent of Japan's food supply. The recent melamine scandal in China has led to new requirements for testing Chinese dairy products and is fueling a more general suspicion of food imports from China, currently Japan's second largest supplier of food after the U.S. While we support efforts for international coordination on food safety, we continue to urge Japan to adopt science-based regulations and avoid

TOKYO 00003221 003.2 OF 003

damage to U.S. agricultural trade.
SCHIEFFER